

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A REVIEW OF THE RATES AND CHARGES)
AND INCENTIVE REGULATION PLAN OF) CASE NO. 90-256
SOUTH CENTRAL BELL TELEPHONE COMPANY)

O R D E R

The Commission, having reviewed the May 1, 1992 South Central Bell Telephone Company ("South Central Bell") filing of Schedules for the February 29, 1992 point-of-test pursuant to South Central Bell's Incentive Plan ("Incentive Plan") approved by the Commission in its Order entered April 3, 1991, finds that South Central Bell's filing complies with the provisions of the Incentive Plan and that an adjustment to decrease revenues by \$6,140,000 is required.

South Central Bell's Schedule 1 income for the February 29, 1992 point-of-test was \$93,961,000. This earnings level is based upon actual results for the 9-month period ending February 29, 1992, and estimated results for the 3-month period ending May 31, 1992. Based upon average total capital of \$744,301,000, South Central Bell's current point-of-test return on capital ("ROC") is 12.62 percent. The Incentive Plan provides that earnings greater than 11.61 percent ROC but less than 13.11 percent will be shared between the ratepayers and the company on a 50/50 percent basis. Thus, in accordance with the Incentive Plan, there will be a


reduction in rates of \$6,140,000 as a result of the February 29, 1992 point-of-test.

Pursuant to the February 29, 1992 point-of-test results, on May 1, 1992, South Central Bell filed a reduction in rates to become effective June 1, 1992. The Commission finds that the proposed reductions to access and toll rates by South Central Bell are in accordance with priorities approved in Orders entered January 23, 1992 and February 28, 1992. The Commission, in connection with its financial monitoring of the Incentive Plan, will review the financial records supporting South Central Bell's May 1, 1992 filing. Should any errors in actual results or major discrepancies in forecasting be found pursuant to this review, the Commission may require adjustments to South Central Bell's filing for the February 29, 1992 point-of-test.

The Commission, being otherwise sufficiently advised, HEREBY ORDERS that the proposed rates are approved effective June 1, 1992. Accordingly, South Central Bell shall file revised tariff pages within 10 days from the date of this Order.

Done at Frankfort, Kentucky, this 29th day of May, 1992.

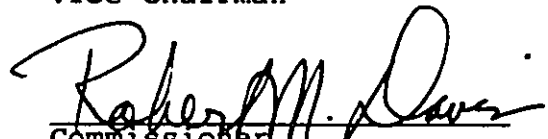
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director, Acting


Commissioner